

# LANDandBUILDINGS

## Land and Buildings Issues List of Key Questions for MGM Management

- MGM Should Answer Several Key Questions When it Reports Second Quarter Results on August 4<sup>th</sup> -
- MGM Shareholders Should Hold Management Accountable to Close the Significant Valuation Discount and Improve Poor Performance -

**Stamford, CT** (August 3, 2015) – Land and Buildings Investment Management, LLC ("Land and Buildings") today issued the following statement regarding MGM Resorts International (NYSE: MGM) ("MGM" or the "Company"):

Dear Fellow MGM Shareholders:

On August 4, 2015, MGM will report second quarter results. Below are some key questions we believe management should answer given, in their words, "the company is undervalued and [has] undervalued real estate." Management has made grand, general statements about steps it plans to take and it is time for management to outline a detailed road map for shareholders. Please go to [www.RestoreMGM.com](http://www.RestoreMGM.com) for additional Land and Buildings information regarding MGM.

MGM shareholders should demand detailed answers on August 4<sup>th</sup>. Specifically:

- What is management's specific plan to reduce leverage, which is expected to increase from the current high levels given \$5 billion of development currently underway and significant additional capital spending projects in the pipeline? How is this expected spending consistent with CEO Jim Murren's statement at this year's Annual General Meeting in May that the "utmost important thing to [do] with the company is to deleverage"?
- Is MGM considering a REIT conversion that excludes the Bellagio, CityCenter, and other luxury Las Vegas properties and, if so, why? Assertions that there will not be enough capital to maintain MGM's luxury real estate is contrary to the reality. MGM has spent less on maintenance capex as a percent of EBITDA than luxury lodging REITs, such as Host Hotels & Resorts, Inc. (NYSE: HST).
- Why hasn't MGM Chairman and CEO Jim Murren returned the phone call of Peter Carlino, CEO of Gaming and Leisure Properties, Inc (Nasdaq: GLPI)? Presumably, Mr. Carlino was interested in acquiring MGM's real estate. GLPI recently agreed to purchase the real estate of Pinnacle Entertainment Inc. (NYSE: PNK) for approximately \$5 billion at a valuation, which if applied to MGM's US real estate, represents over 40% premium to where MGM is trading today.
- Is a sale of MGM's 50% interest in CityCenter at the top of the list given Murren's claim that "any assets will be considered for sale"? This should be the case as CityCenter is one of the only assets that can be sold with no or minimal tax consequences. A sale of CityCenter would generate billions of dollars that could be used to repay debt and would allow the Company to move on from this ill-fated project. Sheldon Adelson, Chairman of Las Vegas Sands Corp. (NYSE: LVS), on his second quarter conference call confirmed our view regarding the poor performance of MGM: *"MGM, the only thing they ever developed was CityCenter, and for those of us in the United States, particularly those of us who live here in Vegas, it doesn't need any further comments."*

- What specific operating changes is MGM implementing to improve EBITDA flow-through after falling short of their own 50% target in each of the last four quarters while other gaming companies have shown strong cost controls?
- Why isn't MGM providing detailed cost, return and stabilization dates for the \$5 billion of development similar to the schedules regularly provided by far larger real estate companies? Are the projects being built on a design build or fixed price contract, given the historical substantial cost overruns MGM has experienced on developments and inferior returns? It is time for management to be held accountable to specific targets and not play fast and loose with shareholder money.
- If the company is trading at a discount to net asset value, why would it pursue any development, which by definition is being built at net asset value, when the same \$5 billion could be used to buy back stock at a substantial discount to net asset value and pay down debt?
- Given that Tracinda has to sell its stake in MGM, why are their representatives still on the Board? Are Tracinda's interests still aligned with the interests of long term shareholders? What is MGM's plan to reconstitute the Board with representation of current shareholders?

Land and Buildings remains committed to ensuring that MGM undertakes and properly executes initiatives to realize the Company's full potential. We will continue to monitor the Company's progress and remain engaged with shareholders and MGM's management team and Board.

Sincerely,



Jonathan Litt

Founder & CIO

Land and Buildings Investment Management, LLC

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**About Land and Buildings:**

Land and Buildings is a registered investment manager specializing in publicly traded real estate and real estate related securities. Land and Buildings seeks to deliver attractive risk adjusted returns by opportunistically investing in securities of global real estate and real estate related companies, leveraging its investment professionals' deep experience, research expertise and industry relationships.

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